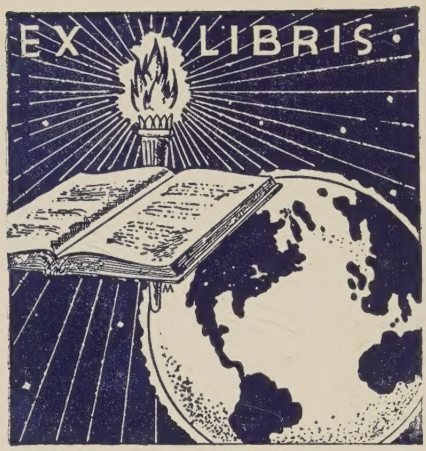

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by
Mary P. Tull
Bowen, Illinois
In Memory of
Her husband,
John W. Tull

LINCOLN BIBLE INSTITUTE

Prohibition Facts and Figures

K PRODUCTION

Milk consumption has increased 212.5 pounds annually
e prohibition for every individual in the United States.

Source: Louis J. Taber, Master, National Grange

IN NOW USED TO PRODUCE MILK

To produce the 212.5 pounds of milk, the per capita an-
increase in use since prohibition, 2,500,000.000 more pounds
rain are required than were used in the distilling and brewing
ıstries in 1917.

Source: Louis J. Taber, Master, National Grange

STITUTES FOR THE SALOON

Today there are 123,979 gasoline filling stations in the
ıtry. The saloons and the filling stations would not have been
ible together.

Source: Bureau of the Census

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PROHIBITION
AND
PROSPERITY

PROHIBITION
AND
PROSPERITY

By

SAMUEL CROWTHER

NEW YORK
THE JOHN DAY COMPANY

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ABOUT THE AUTHOR

SAMUEL CROWTHER was born in 1880 in Philadelphia and was educated at the University of Pennsylvania. He entered newspaper work and was correspondent for various American newspapers and magazines in Europe at different times. His previously published work includes articles which have appeared in the *Saturday Evening Post*, *World's Work*, *Magazine of Business*, and other magazines, and a number of books, among them: *Common Sense and Labor*, *Why Men Strike*, *The Book of Business*, *The Romance and Rise of the American Tropics*, *Money—How to Make It, Use It, Invest It*, *The Presidency vs. Hoover*, *The Life of John H. Patterson*, *Men and Rubber* (with Harvey S. Firestone), *The First Million the Hardest* (with A. B. Farquhar), and (with Henry Ford) *My Life and Work*, *Today and Tomorrow*, and *Moving Forward*.

PRINTED IN THE U. S. A.
FOR THE JOHN DAY COMPANY, INC.
BY THE QUINN & BODEN CO., INC., RAHWAY, N. J.

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INTRODUCTION

I BELIEVE that the facts revealed by Mr. Crowther in this book are the most important contribution that has yet been made to the discussion of prohibition. Most people have forgotten that the adoption of prohibition in the United States was a great economic measure, and not a moral crusade.

We were at war when in 1917 Congress passed the Eighteenth Amendment. For years before there had been a growing sentiment that liquor and business did not mix, and this sentiment suddenly crystallized in the conviction that neither armies nor industries could win the war while the efficiency of men was impaired by strong drink.

Recently, however, it has been only the moral side of the question that has provoked discussion. We are alarmed by the presence in our midst of a highly financed lawlessness, by the bootlegging racket, by bribery and corruption and night clubs and hijacking and the shooting down of innocent motorists; we are shocked by repeated statements that our boys and girls are being debauched; we are beset by propagandists for so-called personal liberty, who blame all our advertised evils on prohibition, and declare that in the good old days none of our present iniquities existed.

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In the study that Mr. Crowther made recently at the instance of the *Ladies' Home Journal* he concerned himself with none of the fanatical hysteria, either for or against prohibition. He did set out to do what hardly anyone else had attempted before—to cast up a balance sheet of prohibition in dollars and cents, in terms of workingmen's efficiency, of savings accounts and owned homes, of motor cars, radios, washing machines, home comforts, education, better living conditions that have been bought with money that used to go to the corner saloon.

And he has found, as you will read, that involuntary poverty has been eliminated in the United States; that at least fifteen billion dollars, and very likely twice that amount, has been diverted from booze to consumption of goods, which is the actual cause of our wonderful national prosperity; and that the return of liquor as we used to have it would very likely bring with it less consumption of goods, less production, lower wages, lower dividends, and less prosperity.

And so, whether or not it is deficient as a moral issue, we are justified in making the positive statement that prohibition is an unqualified economic success.

LORING A. SCHULER,
Editor of the *Ladies' Home Journal.*

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PROHIBITION
AND
PROSPERITY

I

THE NEW GLORY

LET us consider the state of a nation which, in a decade, has come into a glory transcending that which any prophet has foretold. It is a new kind of glory, having nothing to do with glittering chariots, or shining armor, or purple robes, or trumpeting heralds. It is a glory of the many and not of the few, and it principally concerns those who once were known as the common people, and their wages, manner of living, automobiles, electric apparatus, savings accounts and other such lowly and material affairs. The glory is somewhat as of conquest but of a new kind of conquest, for the vanquished thing has been intangible—and yet very real. The foe has been the world's oldest and best established institution—poverty.

The country has developed surely and rapidly to entirely new conceptions of wealth and standards of living. Those who were considered very rich in the old "Four Hundred" days would to-day be held as only pretty well fixed.

The usual working family of twenty years ago

which felt itself well-to-do would feel poor to-day if it had now only what it had then. The cringing poor have vanished—or adopted cringing as a method of earning a living. And it is daily becoming more difficult to engage the services of what was once a fixture—the hard-working wife who toiled to support a drunken husband.

How and why has all of this come about?

The production of the country has increased within ten years by between twenty-five and thirty percent instead of at the normal rate of about fifteen percent. We have had a clear gain of between ten and fifteen percent.

The margin between "bad times" and "good times" is rarely as much as fifteen percent; when in the past we went down fifteen percent, we were flat on our backs and the bread lines were everywhere. In ten years we have not only increased by more than the margin between good and bad times but have added another fifteen percent. It is in this extra percentage that we find the cause of our abundant prosperity.

But is there any reason for so suddenly adding this large percentage? We have had a steady improvement in methods of manufacturing and some improvements in the methods of selling, but there have been no great and sweeping changes. They have all

sufficiently improved to account for a normal fifteen percent increase. They have not improved—taking the whole nation—sufficiently to account for the added increase. Search the record as you will, you cannot find any change or series of changes which stand out as epoch making. We have made vast strides in automobiles and in the use of electrical power, but both of these were well under way before the start of the ten year period.

The one great and fundamental change that has taken place in this country during the past ten years has been the coming into force of the Prohibition Amendment.

We talk so much about this law as a great moral crusade having as its end the defeat of Old Demon Rum, or, taking the other tack, as an assault upon the right to personal liberty, that we are apt to forget that this law has other than a moral background. It is in point of fact a great economic experiment in changing the direction of the spending of money.

It sought to throw a dam across that part of the river of purchasing power which formerly flowed uselessly for liquor and to re-route the stream through turbines which might usefully turn to create wealth. To-day the dam is built and the money which formerly went for drink is the motive power of our prosperity.

I have examined, one by one, the other possible causes and have been forced to eliminate them. I have gone into the positive evidence of the bearing of Prohibition upon prosperity. The facts are inescapable. Prohibition is an economic success.

This success is particularly notable because it has come during a period when, by all the usual tests, we we should have business depression. We have had the burden of the war but we have borne it lightly once we began to recover from the post-war depression. It is absurd to trace any of our prosperity to the war; one does not gain wealth by squandering it. That is shown by the progress of the rest of the world since the war—or rather its lack of progress.

The economic structure of the world collapsed between 1920 and 1922. We pulled out quickly but other nations have been pulling out very slowly. With our resources we should have pulled out rather more quickly than the others, but resources alone will not explain the speed of our recovery. We had the same resources before the war.

In earlier days a period of prosperity could usually be traced to large crops and the consequent supply of money that went out to the farms and from the farms came into trade. During the past decade the farmers have, most of the time, been in straitened circumstances—these have never been so bad as they

have been represented to be but the farmers have not been prosperous.

In spite of that, the country has been prosperous. The great coal mining industry has been in a very bad way and so have the textiles during much of the period. These two industries employ hundreds of thousands of people and have always been major elements of wealth. Yet in spite of their condition the country has been prosperous.

In 1919, when we had the great inflation which terminated in 1920, we had some of the appearances of prosperity—reckless spending, wild prices and a kind of general delirium in which no one wanted to work and everyone wanted to spend. To-day affairs are very different.

The country is spending more than it ever did but it is not spending recklessly; people insist on getting value. There is a keen desire to work. That which we have has come gradually and appears to be sustained by a new and steady force that we never had before.

That new and steady force is undoubtedly Prohibition, but as a force it has been almost wholly concealed by the emotional attention which has been given to other phases of the law. The outstanding fact of Prohibition is that, by diverting expenditures from drink, it has made the country prosperous. That

is the only fact which seems to be getting no considered attention.

The professional drys want to prevent people from drinking because they think it is wrong to drink. The wets want to give people the facilities to drink, not because they might be better off drinking than not drinking but largely because they resent being told what they may or may not do. And so, to date, the discussion seems to have gone far afield and to be hopelessly involved in everything except the main question, which is this: Does Prohibition make for the prosperity of the nation?

The sentiment of the country, as I have found it, is dry—at least to the extent of not wanting anything of the old conditions back. But it is not an informed sentiment, for it does not know what to believe. The general attitude was well expressed to me by the president of a large corporation:

"I am neither for nor against Prohibition on my present knowledge. If I can be shown that the country is better off without liquor than with it, I am for Prohibition and perfectly willing never to drink anything at all. But I do not want to have Prohibition forced on me for my own good. I do not want to be called a 'dry' and I will not be called a 'wet.' I am tired of all this rot about mobilizing the army and the navy to keep out liquor, and I am shocked at this

setting of fools loose with guns to shoot up innocent motorists."

The evidence seems overwhelming that the largest obstacle to the enforcement of Prohibition to-day is to be found in the enforcers and their fanatic adherents. They rub people the wrong way. That is one part of the question.

Many American citizens do not believe that the drinking of alcoholic beverages is of itself immoral. But they do want to know whether Prohibition is good or bad for the country, not as a matter of morals but as a matter of plain common sense. If Prohibition makes for prosperity and better living, they are for it. If, on the contrary, it only makes for a new line of vices, they are against it.

Let us inquire then into the working of Prohibition from the single angle of economic benefit. Is the country as a whole better off or worse off by reason of Prohibition?

The United States has, within the space of ten years, become infinitely the richest country that the world has ever known. These riches belong both to the few and to the many. They have seeped through the people until to-day poverty is almost a voluntary condition. The amount of involuntary poverty is not yet wholly negligible, but it is now an exceptional and purely individual predicament. It is not a class

status nor an accepted condition, and it is not enough merely to alleviate its hardships by charity. We everywhere regard poverty as an abnormal condition which must not be permitted to exist.

This view of poverty is something new in the world, but it is only part of the new social system which has come about in this country—and so very quickly and also so quietly that most of our people do not even realize what has happened. They have the ways of this new world but they think and they talk as though the world had not changed.

We have soared above the old landmarks which once we used for comparison and we have no way of judging how fast we are really going. We have been through ten years of experimenting and it is time to cast a balance sheet.

If we can know the purely financial effects of Prohibition as it has been enforced, then and only then are we in a position to discuss its expediency, its justice, or its many other phases. The experiment we are making has as its end, in the rigid limits of this inquiry, the discovering of what a sober nation can do. As Mr. Edison put it to me some months ago:

"I think we have about a sixty percent enforcement, which is rather higher than the enforcement of many laws. We can never expect a hundred percent enforcement of the Prohibition or any other

law. It should not be difficult to raise the enforcement to eighty percent. In that case we should have a sober nation.

"We have a fairly sober nation to-day—so much so that the European nations which are not sober are beginning to get very much worried. They already find that they cannot compete with us and are taking steps to regulate the sale and consumption of liquor. It is a serious problem in Great Britain.

"If we get an eighty percent enforcement, no country anywhere can compete with us in anything.

"Seeing what a sober nation can do is indeed a noble experiment and one that has never yet been tried. For there never has been a sober nation.

"In these days there are so many things to do that it is not necessary for an idle man to turn to drink.

"We are steadily developing to a point where drinking will not fit into any of our programs in or out of the shops."

II

FACTS OF PROSPERITY

THIS whole country is to-day a tremendous experiment in a new and different way of living based upon an entirely new conception of human needs and human endeavor. We have no real part in the thinking of the old world. For instance, I once heard a large British employer say that he would instantly discharge any workman he caught buying an automobile. With us an employer prides himself on the number of men who come to work in their own cars.

We are to-day engaged in experimenting with a manner of life which is peculiarly our own, and the foreign comment on that portion of this life which is represented in the Eighteenth Amendment is not more important than the foreign comment on our industrial methods—which, at its best, is only faintly amusing.

Let us see something of what this new order of life has brought about in the way of material wealth. Of course material wealth is not everything. There are things of the spirit. And it may be that the spir-

ituality of our women is greatly hurt by washing machines, and that wash tubs are great aids to higher thought.

That point will not here be argued, for there are still plenty of open spaces in this fair land and anyone who craves the simpler life may have it in any degree—taking a whirl in the Stone Age if he so fancies. We shall here deal only with gross and material concepts.

The total realized income of the nation, as found by the President's Committee, stood at not quite sixty-six billion dollars for 1919. It dropped to a low point of sixty-three billion dollars in 1921. Since then it has been steadily mounting and for 1928 is estimated at eighty-nine billion dollars.

These figures of themselves do not mean a great deal and the margin of error may be large, but the trend is most significant. The statisticians have checked from every possible angle and, although the figures of all the first-class men do not agree, they all do agree that the trend has been rapidly upward and that in ten years the income of the country has increased at a very much higher rate than ever before and that we are to-day, as a nation, much wealthier than ever before.

The use of ordinary common sense and observation brings one to the same conclusion. One cannot go

anywhere in this country and not note changes of staggering magnitude.

Every figure of wealth that we know has steadily climbed. The index value of sales in department stores has gone from 87 in 1921 to 108 in 1928 and in mail order houses from 67 to 137. In 1919 we had only two thousand electrical refrigerators and in 1928 we had nearly a million and a quarter. During the same period, washing machines ran from less than a million a year to around six million.

Neither electric refrigerators nor washing machines can be considered as appointments of the wealthy. Everyone is familiar with the tremendous increase in automobiles, in motion picture houses, and in the comforts and necessities of life, as well as in the pleasures of life generally.

But there is also a very solid investment side. In 1919 there were around eighteen million individual savings accounts to a total of thirteen billion dollars. Last year there were more than fifty-three million accounts holding in them twenty-eight and a half billion dollars. In the building and loan associations, representing for the most part ownership of homes of moderate price, there were in 1919 somewhat over four million members, while in 1927 there were more than eleven million members.

The wealthy do not bother with savings funds or

building societies. The life insurance policyholders increased from over thirteen million in 1919 to over twenty-seven million in 1927. The stocks and bonds of the large corporations are now so widely distributed that probably as many people have them as have automobiles.

This country in a very literal sense is coming to be owned by the mass of its citizenry. The figures could be continued almost indefinitely, but beyond a point they do not mean anything, in that the sums are utterly beyond comprehension. But they do attest that what we have had is no mushroom growth.

Our people are spending a great deal. There has been a complete revolution in the attitude toward spending. Confidence in the future is so widespread that people no longer stint themselves through every hour in order to provide for old age. They have fairly abandoned the precept of the old world: that the main function of life was to lay aside funds for a decent burial.

Life is being met from day to day as it never was before. And yet in spite of this—but more probably because of this increase in consumption which has brought on an increase in production and a corresponding increase in wages and profits—there is enough left over to make the savings in general greater than ever before. We have definitely passed

from the old thought of destructive savings to the new thought of constructive savings.

Now how did all this come about? What, if any, part has Prohibition played in it? The striking fact to be drawn from the statistics is the enormous consuming power of our people. Of course we are sending some of our goods overseas, but it is the home market and not the foreign market which accounts for the volume in our enterprises. Without this home consumption we could not have production, for if the goods produced are not consumed, very shortly they pile up. Then men are laid off and the biggest purchasing power in the country—the amount paid out in wages—is cut down and we have a depression. Production seems to precede, but actually it follows consumption.

Consumption and production are lofty terms but they designate very simple affairs. We are each of us dependent upon what the other does.

Let us start with a fact with which all of us are only too familiar—that if we have no money we do not buy anything. If a family has one hundred dollars a month, it will buy on a certain scale. If it has only half that amount, it will buy on a much lower scale, while if it comes into double its usual income it will move up to a higher purchasing scale.

Each purchase of manufactured goods that one

makes has an effect like that of tossing a stone into a still pond. The ripples move far. We do not know exactly how far any purchasing ripple goes, but the effects are widespread and also they are cumulative.

For instance, if I buy a pair of shoes I give the retailer a sum of money out of which he will not only buy another pair of shoes to replace those that I took from his stock but his profit on the sale to me will put him in funds to make some purchase of his own apart from his business. His order for another pair of shoes eventually results in a purchase of leather, cloth and the other materials from which shoes are made.

These purchases give profits to each of the supply men and also they in turn buy fresh goods from their sources. The making of the shoes and each step back to the raw materials require the services of men and therefore the payment of wages to them. The transport of the materials and the shoes also involves a great chain of people. My purchase has gone out in so many directions that it is doubtful if anyone can trace the full effects. More than likely some of that money which I paid out for shoes comes back to me as a writer through my royalties by another long process of buying and selling. My purchase has put purchasing power—that is, money—into the hands of many people and some of it comes back very in-

directly for me to use. The ability to buy is at the root of our whole life. That is the importance of the process which is collectively known as consumption.

If, instead of buying a pair of shoes for ten or fifteen dollars, I buy a diamond for one thousand dollars, I set into motion, by comparison, a very small amount of buying power. I pay the jeweler a profit and he pays the broker a profit and there are some wages to the clerks and the cutters, but it can easily be seen that I do not begin to distribute as much work as though I had bought a thousand dollars' worth of shoes.

Not all expenditures are alike in their results. Some start many chains of purchasing, while others start only a few. So it makes a profound difference to the country how people spend their money.

This is where Prohibition comes in. If the head of a family had wages of one hundred dollars a month and spent twenty dollars for drink, he would not, going back to pre-Prohibition days, absolutely waste his money, in so far as the prosperity of the country is concerned.

We shall entirely disregard, for the moment, any possible effects of the liquor on him and think of it only as a way of spending money. But a purchase of liquor sets in motion a very small chain of purchasing, while, if the family of the man has that twenty

dollars to spend, they will put it out into goods which require a deal of labor and start many chains of purchasing. Or the same effect will be had if they save part of the money.

The difference in the effect on the country of a man laying out twenty dollars a month over a bar and a wife laying out the same sum over a store counter is so great that giving the money to the wife amounts to an increase of family buying power of nearly twenty dollars a month.

To all intents and purposes, money diverted from drink to goods can be counted as new money.

The importance to the country as a whole of the amount that a man spends for drink depends upon his income. If each of the thirty thousand millionaires in this country spent ten thousand dollars a year for liquor, and if we assume that the minimum income of each member of this class is fifty thousand dollars a year, then twenty percent would probably be rather a serious expenditure in so far as the families of these millionaires were concerned, though they could still manage to live very well. But as far as the consumption of the country is concerned, it would not make much difference. The total of the millionaire drink bill would be three hundred million dollars.

That is a large sum, but its diverting to liquor

would scarcely affect the consumption of general goods, for a considerable part of it would, were it not spent for drink, go into investment and thence into production. The families of these men would not be cutting down to bed rock. But if the manufacturing workers alone were to spend one-fifth of their wages on drink—and this is not at all a high average expenditure—then that would mean the diversion of more than two billion dollars a year from general consumption into the consumption of drink. If we should deduct that amount from retail sales, then in turn we should have to deduct an amount from production. This would be more serious than at first it appears.

In our present kind of business all of the large industries are planned to produce very large amounts of goods and only a small profit per unit. They make their money by selling a lot of stuff at a small profit instead of a small amount at a large profit. Unless the production be at a certain volume, there will be a loss instead of a profit and the establishment will eat its head off. So only a slight shading down of the volume of buying has widespread results.

When the Ford Motor Company went out of production while making a change in its car, the effect was felt all over the United States, not only because a certain number of men in Detroit lost their jobs

or went on part time, but also because a large number of other establishments for the time being did not have their usual Ford business. It is impossible to calculate exactly how much was lost in wages through this direct action of a single company, but certainly it was less than half a billion dollars. Nevertheless the effect was distinctly noticeable everywhere.

If, therefore, the workingmen of this country are proportionately spending less for liquor than they used to spend, then consumption is being increased by that amount and consequently production is being increased and consequently more wages and profits are being paid—which in turn again increases consumption and savings, and so on. For prosperity is a snowball.

It follows absolutely and inevitably that if workingmen generally are spending a smaller percentage of their income for drink by reason of the prohibition law, that law is aiding prosperity.

Absolutely no one disputes that if the wage earners of the country are spending less for drink than before and are putting this money into goods or savings, the country, as well as the wage earners, is better off. No one says that more drinking will bring a greater prosperity.

The reputable Anti-Prohibitionists do not advo-

cate that workmen should spend more and not less money for drink. The only classes in this country who want a bigger drink bill are the representatives of such of the brewery and whiskey interests as have not yet given up hope—and they do not count.

III

THE KEY QUESTION

THE sole question is whether the workers are spending more or less money for drink than before. This has nothing at all to do with the effects of the bootleg stuff which is very generally for sale or with the effects of home-brew. We are dealing with dollars that go out and not with effects that come in.

It would seem that getting an answer to this single question might be easy, but I have discovered that finding an answer to any question concerning Prohibition is far from easy, for it is very difficult indeed to find anyone whose approach is not wholly emotional. The professional propagandists on both sides may be dismissed; with the exception of the World League Against Alcoholism, none of them has any facts at all touching economic conditions.

The Prohibitionists are mainly concerned with Prohibition as a kind of religion and want to give sermons on the effects of drink. The Anti-Prohibitionists are parading up the personal liberty street, and whenever they have any figures at all they con-

cern the bootleg traffic, the crime record and the cost of enforcement. Coupled with this is an earnest desire on the part of everyone to refute somebody or something. Each side lies in wait for the other to say something so that it can be contradicted.

Among the tremendous economic wastes of Prohibition is the cost of the professional advocates on both sides of the question. And among the nuisances may be listed the amateur advocates on both sides who are supplied by the professionals with books and pamphlets—which they trot out at the least, and sometimes without any, excuse. And then there is a large body of solid men and women who have become so utterly disgusted with the buncombe and incapacity of the Federal enforcing authorities that they loathe the mention of the very word Prohibition and refuse to give any information at all.

The only man in the country who has made any real study of the economic effects of Prohibition is Professor Feldman of Dartmouth; he has produced a creditable book which for the time being stands as an authority on the subject. I have made a first-hand investigation in the leading industrial cities and among the large number of industrial establishments where in the course of the years I have formed acquaintanceships. Supplementary facts were obtained through the sending of several hundred tele-

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grams to the heads of manufacturing institutions and banks throughout the country. About two-thirds of those addressed either personally or by wire replied, and their replies reveal diverse attitudes. A few of the written replies showed a profound distaste for the whole subject and an almost belligerent refusal to say anything about it. But most of the replies gave evidence of a deep and patriotic interest in getting at the truth—regardless of personal opinion. Several very large corporations had to refuse to make categorical replies because the leading officers held very divergent opinions themselves and to begin an inquiry might start an internal row. Many others asked that their names be withheld because they did not care to be bothered by the propagandists.

In nearly every case the reply was to some extent colored by the personal views of the sender, but out of all the answers received—coming about equally from those who did and those who did not believe in the Eighteenth Amendment as a method of controlling liquor—only one man said that he thought workmen were spending more and not less for liquor than they did formerly.

He is at the head of a corporation employing about thirty thousand people and is himself an absolute teetotaler; his shop rules on liquor have always been very strict and he has personally helped out many

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thousands of families whose affairs had gone to pot on account of drunken fathers—for he gives away some millions a year. But he has so resented the methods of Prohibition agents in his part of the country that he can see nothing at all except the graft and injustice which characterize so much of the enforcement.

There is a practical unanimity of opinion that wage earners are spending less for liquor than they did before Prohibition. This means that they must be spending very much less, for otherwise the change in their spending would not be noticeable.

There is an absolute unanimity of opinion that the wage earners are spending more on their families than ever they did and that the standards of living are constantly growing higher. The making of home-brew apparently is not anywhere increasing and many of my reports say that it is decreasing. Its cost—and that is the important point here—is negligible.

Prohibition, it appears from the letters which I have received, has definitely switched the spending of wages for drink to the spending of wages for goods. These letters in themselves present a really remarkable record—and it is an unprejudiced, first-hand record having to do only with the effects of spending on prosperity. All of the writers are in a position to know what they are talking about.

IV

DIRECT TESTIMONY

IT has been said that the heavy industries employ a class of hard-working, hard-sweating men who simply cannot get along without beer and do not want to get along without whiskey. The steel industries center in Western Pennsylvania, Ohio, Indiana and Illinois and the industrial cities of all of these states are wet—that is, any man with the price can get a drink.

Gary, Indiana, is the seat of the largest single steel plant in the country, and it, as well as other plants in the district, is owned by the Illinois Steel Company, which is a subsidiary of the United States Steel Corporation. Gary has the reputation of being a "beer town" where real beer can be had freely. The employees of the Illinois Steel Corporation have the opportunity to get all the liquor they want, but this is what the president, E. J. Buffington, writes:

"Evidences of the economic value of Prohibition are found in records of increased savings accounts and in the higher plane of living conditions of workingmen in general . . . improvement in the eco-

nomic condition of employees' families is evidenced by the fewer cases of distress among employees reported from time to time.

"Visiting nurses, whom we employ to visit and administer to families of employees in case of sickness, report that the economic condition of such families is much better now than prior to Prohibition. . . .

"With the absence of saloons it is certain that workingmen are now spending far less money for drink than before Prohibition. Undoubtedly since Prohibition became effective, many workingmen brew alcoholic beverages, principally wines, in their homes. This practice, of course, results in some expense to those who indulge in it. But certainly such expense is less than former expenditures in saloons by workingmen.

"Merchants in Gary, Indiana, where our largest steel mills are located, report that since Prohibition workingmen are purchasing a much better grade of wearing apparel of all kinds and that, as a general rule, payments are made at time of purchases, whereas formerly it was necessary in many cases to extend credit.

"Before Prohibition many employees of our Gary Steel Mills kept boarders in their homes. This practice, it seems, has been discontinued to a large extent,

with statements by some wives of employees that since the husband brings home more money on payday it is not now necessary to keep boarders. This, undoubtedly, is a great improvement in social conditions in such homes."

A. R. Erskine, president of the Studebaker Corporation at South Bend, Indiana, in the same wet district, writes: "Workmen are spending less money for liquor. Home-brew is not serious, either as to expense or effect."

From Indianapolis, also in the wet district, A. R. Baxter, president of the Keyless Lock Company, says: "Our workmen are spending not only less money for drink than before Prohibition, but are spending practically no money for drink."

George H. Charls, president of the National Association of Flat Rolled Steel Manufacturers, sent out a bulletin to his members for me. Their operations cover all the large industrial centers and form an excellent cross-section of a heavy industry. The answers of the members all said that the workers were spending less money for drink.

The Thompson Wire Company, with plants at Boston and Worcester, said: "My opinion is that the workmen are spending far less money for drink than before Prohibition."

The Preston County Coke Company at Morgan-

town, West Virginia, replied: "I am answering from our experience in the coal and coke business, where we are in very close touch with the workmen. I would say the employees are spending much less money for drink than before Prohibition, and home-brew is not serious either in the direct expense, or in effect."

The Sharon Steel Hoop Company at Sharon, Pennsylvania, finds: "There is no question that workmen are spending much less money for drink than before Prohibition."

The Pittsburgh Cold Rolled Steel Company says: "I do not think we have a man in our plant who really drinks. I have never smelled liquor on anyone's breath, and I have never heard the word mentioned in our operating department."

The Newport Rolling Mill Company at Newport, Kentucky: "Several years ago we opened up a bank near our plant and from the number of accounts, both saving and Christmas saving, we are convinced that the money that was formerly spent in saloons is being laid away as savings."

The Follansbee Brothers Company of Pittsburg, with several mills, finds that wage earners are spending "much less" for liquor.

George M. Verity, president of The American Rolling Mill Company at Middletown, Ohio, and with large mines and mills elsewhere, had a survey

made of the various working forces and here are extracts from some of the reports—all made by foremen or superintendents close to the workers:

"Both the assistant general superintendents were able to cite innumerable instances of men who are valuable employees to-day but who were excessive users of alcohol prior to Prohibition. In all of the cases pointed out the situation to-day has been changed altogether in that these men now own or are paying on homes, own automobiles and many other present-day conveniences.

"The assistant general superintendent in charge of sheet mills pointed out two outstanding cases. Both families now have children in college and are regarded as substantial citizens. Formerly, the fathers squandered their earnings on liquor. . . .

"To-day we have the filling station supplanting the saloon. Men could not buy gasoline, automobiles, and the many other articles that formerly were considered luxuries but are now necessities, and still purchase liquor at present bootleg prices. In order to purchase the many things which people are buying to-day, men are working more steadily and spending their money to better advantage. . . .

"We certainly cannot overlook the fact that the result of Prohibition has been definitely reflected in our business, since a large percentage of our product

is going into the manufacture of automobiles, refrigerators, domestic electric appliances, radios, and many other articles of this kind.

"My experience covers nearly forty years in rolling mill work, and over two generations rolling mill men have always been known as being hard drinkers. I know of many instances of splendid men who could not let liquor alone and whose families suffered thereby. In many cases, on pay-day, men would never get home with their pay, leaving the women and children suffering for want of food and clothing and the essentials of life. This was particularly true of the older generation. The newer generation coming into the mills the last few years have not had this same experience as liquor could not be had so freely."

The president of another great steel corporation with many properties and tens of thousands of workers, who does not care to have his name mentioned, told me that "there is less cash spent on alcoholic drinks than formerly."

It is very significant that the heaviest-drinking trade is not spending money for drink.

The mining regions have always been wet. They contain large foreign elements. The president of a great mining company operating in Pennsylvania,

who has had many years of experience among miners, mostly in Pennsylvania, says:

"Workmen are spending much less money now for drink than they did before Prohibition. In the old days, a man used to cash his pay check at the saloon, in many instances, and what he didn't spend on drink he was apt to spend in other ways in the saloon. A man now takes his money home and makes better use of it."

Here is a striking account of conditions in West Virginia, from Josiah Keely, president of the Cabin Creek Consolidated Coal Company:

"My observation and experience cover only a population of some five or six thousand people on Cabin Creek, but I am more or less familiar with economic life in the Kanawha Valley generally, which would number a good many more thousands. I live right among miners and know personally scores of hard drinkers who have almost quit drinking. I should say, even at the present price, not half as much money is being spent for liquor as before. . . .

"The pay-day 'lay-off' when saloons were here was a rather serious interruption of business, both on account of the absence and on account of the 'day after' headaches. We still have considerable absentee-

ism after pay-days, but most of it is 'flivvering,' hunting and shopping, and they come back in fairly good condition.

"The families are saving more and they are buying things which they could never afford before. Our people are undoubtedly enjoying a period of greater spending—for automobiles, radios, washing machines, electric refrigerators, phonographs, etc. . . . Formerly the pay-day earnings were frequently spent in one night away from the mines (there were no saloons on Cabin Creek) and family destitution on that account was common.

"Money is still spent unwisely, but most of the family participates in one way or another. In the old days some public drunkards were hardly known to have families, but now the family car with all piled in visits distant friends, or just burns up gas and sees the sights as they go by.

"There is simply so much difference in favor of Prohibition that those of us who like our liquor have to admit it."

Pickands, Mather & Company conducted a survey of these numerous mining properties and the general superintendent reports:

"We know that not as much money is spent for drink as previously. We do not have the spectacle of the mother coming to the office in tears and despair

because the father has gone out on pay-day night and boozed the entire pay check. This was not uncommon in pre-Prohibition days.

"We have concrete evidence that their money is fairly well spent. We questioned our employees relative to what we considered indications of their economy in the use of money. We interviewed 499 employees out of 700.

"We found that 175 own their own homes. (We have about 180 good average residences which we rent to our employees at an average of $10.00 per month. This would not encourage home building when they can get a good workman's residence at this cost.) In answer to whether they had a savings account, 136 answered yes.

"Of those carrying life insurance other than the company group insurance, there were 310 carrying extra insurance. There are 238 who have either a piano, phonograph, or radio. Two hundred and seventy-three have automobiles.

"We feel that this shows a good general state of prosperity and general happiness. We cannot see how this would have been possible under the old liquor system."

Detroit is the point where large quantities of whiskey are run across the border. It also has a large foreign population of the kind that is said

to be both unable and unwilling to get along without regular supplies of beer and whiskey. The facilities for getting bootleg or home-brew abound, but I have not found a single executive of any of the automobile companies in the district who has any trouble at all with drinking, and without exception they all declare that the men who do drink are apparently spending much less for it than they used to. This applies to Pontiac, Flint and all the automobile towns. Henry Ford has frequently expressed himself on the changed condition of the workers.

The chief executive of a company—he preferred to have his name withheld—said that before Prohibition it was usual to have from fifty to one hundred women in the office on the morning after pay-day asking for advances because their husbands had spent all their money in the saloon before coming home. In the last three years he has had exactly two such applications.

The executive secretary of the Employers' Association of Jackson says: "I think the effect has been wholesome and worth while. There is no question that the employees of Jackson are more prosperous."

R. H. Scott, president of the Reo Motor Car Company at Lansing, writes: "Workmen are spending a very small percentage of their wages for drink as compared with the saloon days."

L. C. Walker, president of the Shaw-Walker Company at Muskegon, finds: "The amount of money spent for liquor to-day on the part of factory workers is relatively a very small sum as compared with the old days."

Chicago is wet enough to make beer and whiskey easy to get, but apparently it is not the workmen who are supporting the great bootleg traffic. All of the large employers of labor that I consulted said that their men were most certainly spending little for drink.

Charles Piez, chairman of the Link-Belt Company, had an investigation made through the foremen of the various plants which resulted in this characteristic report: "It is the firm conviction of these men that our workmen are spending less than in days before Prohibition. We seem to have no 'after pay-day' or 'after holiday' problem. There is every evidence of greater interest in savings accounts and without question the workers' families have more to spend now and are living much better.

"Since Prohibition there is an increase in number of home owners, a far greater interest in savings accounts and stock ownership. As a matter of course, everybody drives an automobile. All these things have happened since Prohibition. The superintendents are certain that were a vote taken on the Prohibi-

tion question, there would be a decided majority in favor of it."

The situation in Philadelphia is the same as in the other large cities—liquor may be bought but the wage earners are not buying it.

The head of a large company there—and he is opposed to the Eighteenth Amendment—writes: "In general, and speaking from an industrial and national point of view, rather than from individual preference, we feel that there is no doubt that the enormous growth of savings and the enormous increase in the purchasing power of consumers have resulted more or less directly from the operation of the Eighteenth Amendment and the Volstead Act."

In Ohio the Warner & Swasey Company reports from Cleveland that their men are spending less for drink.

From Canton, H. W. Hoover says: "Workmen are spending but a fractional part of the money they previously spent for drink. The dollars that were previously spent in saloons are now diverted to the more legitimate channels of merchandise, in which a much higher percentage of labor is involved."

Harvey S. Firestone writes from Akron—which used to be a very wet town: "There can be no doubt that workmen are spending much less for drink, as a group, than before Prohibition."

From W. C. Dunlap, vice-president of the American Multigraph Sales Company, Cleveland, comes this:

"Our workmen are spending less money for drink than before Prohibition. They own more automobiles, have larger savings accounts and have more cash in their pockets than they did before Prohibition. . . . Our nurse, in charge of our dispensary, who calls upon our workmen's families in their homes, says that before Prohibition some of our men were on the verge of having delirium tremens but that the condition does not exist to-day."

The General Electric Company at my request sent out a questionnaire to ten of their principal supervisors of labor, all of whom have had a number of years of experience in their positions, and although the answers diverged on many points, all the answers agreed that the men are spending much less for liquor. A supervisor in one of the larger cities estimated that two hundred thousand dollars a week was now being taken home that formerly went into the saloons.

Massachusetts and Connecticut are great industrial states and both have foreign populations of a considerable extent but, as elsewhere, the effect in so far as workers are concerned is beneficial according

to every report I have received, and this is checked by personal investigation.

The B. F. Sturtevant Company reports from Boston that "workmen are spending less money for liquor."

Henry Dennison, the president of the Dennison Manufacturing Company at Framingham, Massachusetts, says: "Workmen are spending a great deal less money for drink. I think there will be found to be a difference between workmen in the larger cities and workmen elsewhere but certainly in all the places I have asked about in the last few years, which are not too close to the heart of a big city, I found this to be the opinion of factory managers."

The same opinions are expressed by A. B. Bryant, president of the First National Bank of Gardner, Massachusetts: "There is not the slightest question that the amount of money expended by workmen for liquor in this community is negligible at the present time compared with that before Prohibition took effect."

Winslow Russell, vice-president of the Phœnix Mutual Life Insurance Company of Hartford, Connecticut, has been making a considerable personal investigation in his travels through the country and he writes, in part: "I believe that the workingmen are spending very much less money for drink than

before Prohibition. This opinion is amplified by an experience I had at a meeting of an association to which I belong in New York.

"The vice-president of a large concern supplying department stores came into the room about Christmas time and I asked him how business was. He said, 'Better than we have any right to expect,' and I said, 'What's the reason for it?'

"He replied, 'I wanted to find out and I went around to three or four of our largest department store buyers and asked them to what they attributed the abnormally fine Christmas business. Each independent of the other instantly gave the same reply, "Prohibition. The working people are buying our goods instead of liquor." '

"Another man representing a large advertising agency came in—and by the way, both of these men are wets. I asked him the same question and he said, 'Business is fine. We have recently sent out a questionnaire for a concern that is going to do a large amount of national advertising. You know that I am not a dry but the overwhelming evidence which we are getting from this study is that the workingmen are spending large sums of money for things that used to go into different channels, and I am convinced that this thing is wonderfully fine for the workingman.' "

Upper New York State is in the wet region—but not for the wage earners. The secretary of a corporation in Seneca Falls writes: "I believe that the workmen are spending much less money for drink than before Prohibition."

From very wet Buffalo, William H. Crosby, president of the Crosby Company, writes: "The impression of our people is that there has been a great deal less drinking among our men since Prohibition and a great deal more money to spend for other purposes. The streets around our plant are lined with motor cars owned by our workmen. There is not so great a shortage of help on Mondays as there used to be. Of course, we are in a very wet neighborhood. . . .

"One of my informants tells me that in the old days his father used to run up a bill at the saloon that took half his week's wages to settle at the end of the week. I am told that our men who do visit the blind pigs do not stay; the transaction seems to be cash—they get a drink and leave. In the old times they loitered about the saloons for hours."

The heads of all but one of the large New York corporations that I have asked for opinions agree that less money is being spent for drink.

In those states which are not primarily industrial, drink has not been a serious matter except in individual cases, but all the evidence is to the effect

that wage earners are spending but little for drink.

For instance, take Des Moines, Iowa. Clyde E. Brenton, president of the Iowa National Bank, says that workingmen are spending less for drink and in this he is corroborated by the executive director of The Greater Des Moines Committee.

George S. Hovey, president of The Inter-State National Bank, located at the Kansas City Stock Yards, where there was formerly a deal of hard drinking, says: "So far as my observation goes, workmen as a whole are spending less money for drink than before Prohibition took effect."

From Salt Lake City, E. O. Howard, president of Walker Brothers, Bankers, writes: "I have given the subject matter considerable thought and study and have consulted with several authorities here on this very important question. A union representative advised me that workmen are certainly spending less money for drink than before Prohibition, and for this reason living conditions are better, the majority of them own their homes and a great percentage ride automobiles to and from their places of business. This act has also made it possible for the workman to spend more time at home with his family for recreation and in general conditions are extremely more pleasant as a result."

The president of the Canton Cotton Mills at Can-

ton, Georgia, says: "Our workmen spend practically nothing for drink since Prohibition. It would be hard to compare conditions in our community now with what they were before Prohibition."

Donald Comer, writing for the Avondale Mills which employs five thousand people in five different communities in Alabama and has been operating since 1897, says:

"We are now spending less for drink than before Prohibition. The outside and inside of the homes are in no way comparable to what they were in the old days. People are buying more and better furniture, cabinet victrolas and radios, and automobiles are no longer uncommon and everywhere there is more regard for personal appearance. . . .

"While writing this, two sisters, widows, mothers, who have lived in our mill community for nearly thirty years have just come into my office. One of them had a drunken husband who years ago deserted her and their two children. She has raised this boy and girl to maturity, both of them sober and industrious and leaders in all community activities. The other sister lost her husband years ago in an accident and was left to raise her family alone, and to-day she has a family that anyone would be proud of. I read them your telegram and both said that they

could not possibly have done this in the days of the saloon."

The Pacific Northwest, as it is known to the writer before and after Prohibition, has undergone a rather complete change, especially in the lumbering regions. Seattle is no longer a tough town—there are no tough towns.

Ralph H. Burnside, president of the Willapa Lumber Company of Portland, Oregon, and operating variously through the region, says: "We employ in the woods and mill combined approximately five hundred men. The evidence appears incontrovertible that workmen are spending only a small fraction of the money they did for drink before Prohibition. Our company pays by check. Prior to Prohibition, a high percentage of our pay-roll checks was cashed in the saloons and we knew from all kinds of evidence that a substantial portion of the proceeds of these checks was left in those saloons before the families of our employees had a glimpse of the money."

The answers from everywhere in the country are the same—the workingmen are spending little or nothing for drink and a great deal on their families.

One of the great railway systems covering the country west of Chicago made a survey of its men

on my behalf and also asked for opinions as to spending for drink in general. The answers they got were unanimous on the point that the amount of money being laid out for liquor did not amount to anything.

The evidence gathered seems to be a fair cross-section of the whole wage-earning population of the country. It definitely shows that workingmen are not buying the high-priced bootleg liquor. This means that there has been a diverting of spending away from liquor, for everyone agrees that the cost of home-brew does not amount to anything in dollars and cents. The money that formerly went for drink is going elsewhere.

Therefore, one of the objectives of the Prohibition Amendment has been achieved—liquor has been put out of the reach of those least able to buy it. Whether or not it is quite playing the game for others to buy it because they can afford the money is another question entirely, that has nothing to do with the economics of the situation.

Is it possible to measure the extent of this diversion of expenditure and then to line it up with higher wages to see exactly what effect this great change in buying habits has had on the welfare of the country? And are there debits as well as credits in the account?

V

PERSONAL LIBERTY *VS.* ECONOMIC WELFARE

IT may or may not be a sin to drink liquor. The point has been debated for some centuries and promises to be a live question for several centuries to come. Every age needs first-class topics for debate.

A debate is, after all, only a show. And just as our ancestors finally lost interest in needles as dancing floors for angels, just so the people to-day are beginning not to care much whether or not drinking is a sin, and whether or not the Eighteenth Amendment is a blow—even a wallop—at personal liberty.

The conviction is growing that, although the use or abuse of liquor as a purely personal habit may be debatable, the only aspect of Prohibition that really concerns us has to do with the influence of alcohol on the prosperity and well-being of the nation.

The belief is now universal—although seldom expressed—that real liberty comes not through laws and constitutions but through the creation and distribution of wealth. A poor man never can be free. And hence that which may be labeled liberty is not worth anything if it makes for poverty.

Nothing approaching real freedom can ever be had until the daily bread is provided. The Prohibitionists may exhibit an army of reformed drunkards and show conclusively that every one of them was reformed by law—that is, by putting liquor out of their price reach. The Antis can exhibit a new flock of drunkards as evidence that the law makes drunkards by putting liquor into such a position that it is more prized than it would be if it were freely and legitimately on sale. Both sides have plenty of human exhibits, but they do not matter.

Drunkenness is not our national problem. An habitual drunkard is an economic waste, but there have never been enough of them really to give concern to the nation. Of course it is quite otherwise with the individual and the family.

The bulk of the purchasing power of the country comes from the wage earners. They supported the old liquor trade, and it has been demonstrated in a previous article that they are to-day spending very much less of their wages for liquor—both absolutely and comparatively—than they used to spend.

The mainstay of the old saloon was the moderate drinker—the man who took three or four drinks a day with clocklike regularity and who now and again found occasion for a celebration. This man's former saloon expenditures have been very largely turned

into other channels. This and not the saving of drunkards is the function of Prohibition with which we are here interested. We are trying to discover whether or not Prohibition as it is makes for a more prosperous nation. All other questions are subordinate to this one.

It is absolutely impossible to explain the enormous growth in consumption and therefore in production and therefore in wages and profits without taking Prohibition into consideration. No one has even attempted to dispute that it is a factor.

Professor Irving Fisher of Yale, an ardent Prohibitionist, states that he made a thorough canvass of the members of the American Economic Association in an attempt to get someone to attack Prohibition on purely economic grounds—which is only another way of saying to get someone to attempt the demonstration that Prohibition had hurt the prosperity of the country or even to prove that it had no influence. He could not get anyone.

The point is very quickly passed over by all the professional opponents of Prohibition, and also it is rather dodged by the professional advocates of Prohibition. In the Presidential campaign, Governor Smith, having before him all that should be said against Prohibition, never went so far as to say that we would be more prosperous with liquor than with-

out it. The most that he could say—and the most that anyone has been able to say, and that utterly without any examination of the facts—is that Prohibition and prosperity have no essential connection, or to dodge in another direction by declaring that anyhow we were not going to be prosperous for long and we had better quit talking about being prosperous and get ready for something else.

We are beginning to understand some of the fundamentals of our prosperity but it is not possible as yet to trace cause and effect with mathematical accuracy. Our life is too complex for that.

For instance, everyone now admits that the automobile is a most important factor in our national wealth and that it is somehow a wealth creator. But for many years bankers and economists looked at it only as a way of wasting money and there was much real worry over the frightful extravagance of the nation. It took a long time to discover that installment buying was not simply a way of dodging payment and, although we know that installment business has had a large share in the steadying of production, we cannot trace its exact share. And so it is with Prohibition.

The evidence that has been presented above was very clear on the point that the wage earners of the country are spending almost nothing for drink and

are spending a great deal of money for other things. The amount which a moderate, steady drinker spent in pre-Prohibition days over the bar will now buy an automobile on the installment plan. So a very great part of the prosperity which the automobile has brought is directly traceable to the diversion of expenditure caused by Prohibition.

It is not possible to trace the full effects of Prohibition through all its money phases but it is possible to estimate the changes in spending closely enough to leave no doubt as to what Prohibition has done to prosperity.

In this we are aided by a curious fact. The evidence is conclusive that the workingmen are spending less for liquor; the evidence is equally conclusive that the people with higher incomes are spending money for liquor. That on the whole they are spending more is greatly to be doubted. Many choose to regard the situation as alarming. The rich are said by their drinking to be flaunting their wealth in the faces of those not so rich and creating an intolerable situation. This, however, if we view it calmly, is only a form of ostentation which is as old as the hills.

There is nothing new about conspicuous waste. The craving is not to be alcoholic but to be fashionable in a great, big, cosmopolitan way. But it seems

that this, too, is decreasing, for women do not want to be fat—and drinking is one of the surest roads to fatness.

The younger generation may or may not be drinking a great deal; the reports vary. But let us take for granted that the boys and girls of to-day are not up to the standards of twenty years ago. They never were. Youth has been degenerating ever since Adam and Eve had offspring.

To be perfectly brutal, it does not make the least difference from an economic point of view whether or not the ten percent of our people who have the means to do so are or are not drinking themselves to death. As Henry Dennison very aptly put it to me:

"It has seemed to me that we could grant every claim that Prohibition was having very ill effects on the children of the rich and upon the typical city dwellers, like the salesman and merchant group in the larger centers, and yet find the balance very strongly in its favor, if, as I believe, its effects upon certainly eighty percent of the worker population has been notably good. In this country, at any rate, it is out of that worker population that we are continually recruiting the folk who actually run the country.

"The argument that Prohibition has led to a disrespect of law has never had any weight in my

mind. The people who have used it most are those whom I used to meet on the steamers planning to smuggle in all the stuff they could against a tariff law which favored them more than anybody else and taking a good deal of keen pleasure in telling that they were going to break it and just how."

That, however, is quite aside from the main question which has to do with the actual amount spent for drink to-day as compared with pre-Prohibition days. If only the people of larger incomes are drinking bootleg stuff, it is of course unfortunate in a way, but if someone must drink, it is best for the country that those who can afford it rather than those who cannot afford it should do the drinking.

If the people of means cannot look after themselves and their children, why—then they cannot look after them. And that is all there is to it. We are here concerned with the mass of the population and not with the few.

How much is actually being spent for drink to-day? It is often said that the consumption of alcohol was decreasing at the time of the Eighteenth Amendment and that we were then on our way to achieve a real temperance. The Government figures do not say so.

Take the three periods: 1900-1904, 1905-1909 and 1910-1914. The per capita consumption—which

is the real test—of distilled spirits, wines and beer in the first period was 18.77 gallons; in the second period it was 21.46 and in the third, 22.43. The largest increase was in beer, but there were substantial increases in spirits and in wines. The country was steadily drinking more and not less.

The cost to the consumers before Prohibition can only be estimated. Professor Fisher, taking the average of the three years 1914 to 1916 in order to get away from the war conditions, estimates that with beer at five cents a glass and whiskey at ten cents, the nation spent three and one-half billion dollars a year for drink. His estimate may be too large. The *American Grocer* calculated the cost to consumers annually for the same three years as slightly more than a billion and a half dollars. That may be too small. The truth is probably somewhere between.

The money income of the nation as found by the President's Conference Committee was, for 1914, slightly over thirty-one billion dollars, for 1915 nearly thirty-three billions and for 1916 thirty-eight and a half billions. If the consumption of alcohol were to remain stationary—which of course it would not, for our population has increased and the per capita consumption was increasing—it seems fair to estimate that, with the rise in the general price level and the cost of doing business, the saloon prices of

both whiskey and beer would by now have doubled and that without Prohibition the nation would to-day be spending for drink about three billion dollars a year. Professor Feldman estimates two billions, which seems to me to be low. Professor Fisher, calculating that the nation formerly spent ten percent of its income for drink, thinks that the present bill might run as high as nine billion dollars.

It is anybody's guess, but most certainly, assuming a decreased consumption to offset any increase in prices, the bill to-day could not be less than the lowest estimate from a trade source of the bill during the years immediately preceding the war—that is, more than a billion and a half dollars. That is the absolute minimum of what the trade would be to-day. It is ridiculously low.

The bootlegging business is extensive, but it is quite out of the question to believe that it even approaches the old liquor trade. Chicago at one time had a saloon for every three hundred men, women and children. No one for a moment can believe that there is a bootlegger in Chicago for every three hundred men, women and children. But this Chicago saloon percentage was not abnormal. It is to-day nowhere as easy to find a bootlegger or a speakeasy as it was to walk into a saloon.

To get at the actual figures of present-day con-

sumption of bootleg and home-brew is utterly impossible, although plain common sense teaches that it is harder to get a drink to-day than before Prohibition. Very few speakeasies sell whiskey for less than fifty cents an ounce, whereas before Prohibition a saloon of the grade of the fifty-cent speakeasy would have sold whiskey at ten cents and the average customer in such places would have helped himself to at least two ounces.

The competition among speakeasies and among bootleggers is keen and if it were as easy to obtain supplies of liquor to-day as it was before Prohibition, there would be some evidence of this in the prices charged. The law of supply and demand controls illegal trade just as it controls legal trade.

The chief source of bootleg liquor to-day comes through the diversion of industrial alcohol. This is made over into whiskey, gin or anything that one desires. It is also used to bring up the alcoholic content of near-beer. The various concoctions offered by bootleggers are simply raw alcohol diluted, colored, flavored and labeled according to the fancy of the buyer.

The largest present estimate of the actual diversion of industrial alcohol amounts to fifteen million wine gallons. (It is not necessary to bother with the difference between wine gallons and tax gallons.)

The highest bootlegger price for first-class grain alcohol which has not been denatured is, as far as I can discover, fifty dollars a gallon. If the highest figures for diversion are true and all of this diverted alcohol is of the highest grade—which it is not—and none of it is seized by Prohibition officers and all of it is sold at fifty dollars a gallon, the present drink bill could run to three-quarters of a billion dollars from this source alone.

The actual figures must be very much less because a very large proportion of the alcohol diverted has been denatured and must be manipulated and redistilled. This would account for several million gallons and also some of it is seized. Not even the wildest calculation can put the present day illicit liquor trade in dollars as paid by consumers at more than a billion dollars. This would include all the smuggled liquor as well as the beer turned out by the breweries running under cover. It does not include home brewing or home distilling.

The actual amount spent for liquor to-day can hardly amount to more than half a billion dollars, but whether it be half a billion or a billion, the amount is paid for a volume of liquor certainly not exceeding twenty percent of that sold in the prewar trade.

VI

THE PROFIT BALANCE

THE country is still paying a large amount of money for drink—but it is not really getting much to drink. At the lowest estimate the country was paying nearly four percent of the national income for drink in 1914-1916 and may have been paying as much as eight percent. At the very highest estimate (one billion dollars) the country is now paying one and a fraction percent for drink—and may be paying less than one-half of one percent. These percentages do not seem large. But we are dealing with big figures.

Even if we are spending a billion dollars to-day—and we may be paying only half that much—there is a high saving over the pre-war average percentage; on the basis of that percentage we should to-day be spending at the least around three billion dollars and at the most around seven billion dollars. This means a net diversion of spending due to Prohibition amounting to somewhere between two and six billion dollars.

The minimum sums which are being diverted from

the saloon into the buying of goods or into savings accounts are enough to account for a large measure of our prosperity. They are, in effect, new purchasing power—as has been explained. And since buying begets production and production begets wages and profits and these wages and profits beget more buying, we have an explanation of at least a part of the remarkable increase in buying which has taken place since Prohibition.

The diversion of spending is even larger, however, than appears because the drink which is being bought to-day is by the classes with higher incomes who can afford to buy without cutting into their general expenditures. Of course no end of cases may be dug up of families in the five- or even in the ten-thousand-dollar class who have gone in so heavily for bootleg liquor as to ruin themselves. But everyone knows that these are only exceptions to the rule and that the average house which is to-day buying liquor is able to do so without skimping on other things. One has only to look around to know this. For few wives, no matter how keen their social ardor, will buy liquor for parties rather than have a new dress or a new automobile. The present social drinking is very much more in charge of women than was the old bar-room drinking.

The wage earners, with only a few exceptions,

cannot afford to buy drinks. The moderate drinking worker who formerly had, say, five glasses of whiskey a day spent fifty cents a day for drink—barring treating. The same number of drinks to-day in a speakeasy would cost him two dollars and fifty cents and he would get only about half as much whiskey. This he cannot and will not afford. The wage earner who formerly frequented the saloon is not buying either in speakeasies or from bootleggers.

If he is drinking at all, he relies on home-made stuff—moonshine, wine or beer. Sometimes he makes this himself, but more often he buys it from an associate at a very low cost. The extent of the home traffic is impossible to estimate. Many foreign-born workers, especially the Italians, have always made wine; other nationalities have always made beer, while in the South moonshine has always been made. The home-made liquor may be quite deadly but it is cheap. Those who make it for their fellows cannot command fancy prices. Those who make it for themselves spend mostly labor. The money item is negligible.

Therefore Prohibition has accomplished one purpose—the diverting of the wage earner's income from the saloon. The wife is having a chance to control spending and saving. Of the entire amount now spent for drink, it is unlikely that more than a quar-

ter comes from wage earners. In the old days the wage earners furnished at least three-quarters and probably more of the total drink revenue.

The country's present great consumption of useful goods is coming from the wage earners. It cannot be coming from any other source. There are simply not enough people of means to buy the quantities of automobiles, washing machines and so on that are being produced and sold.

We have not, during the whole ten year period, been diverting spending for drink at a rate of two billion dollars a year, for during the years of deep depression the wage earners could not have maintained their former percentage of liquor expenses. But we have never saved less than a billion and it seems fair to estimate the total saved from drink and put into goods over a period of ten years at a minimum figure of fifteen billion dollars. The saving cannot be less than that. It may be twice as much.

These figures represent simply diversions of spending. They do not represent the total wealth added to the nation. An idea of the effect of changing the direction of spending may be had by examining some of the districts that formerly lived on the manufacturing of drink.

Louisville, Kentucky, used to be a center for the distillation of whiskey, but as such it was never very

prosperous. Now it has changed to a manufacturing city and is very prosperous.

It is often said, however, that it is high wages and not the saving on the liquor bill that accounts for our buying power and hence for our wealth and prosperity. That is in a measure true, but the high wages, like the consumption of automobiles, are themselves due to the increase in consumption brought about by cutting down liquor spending. This needs some explaining.

Wages have greatly increased. Take the figures. They are dry but they mean a great deal when translated into human beings and the age-old struggle against poverty.

In 1919 we had 214,000 manufacturing establishments employing 8,998,000 wage earners who received in wages $10,460,000,000.

In 1927 the number of establishments had dropped to 192,000 and the number of wage earners had dropped to 8,353,000, but their total wages had increased to $10,849,000,000.

The drop in the number of establishments was due partly to consolidating into larger units and partly to the dropping out of those badly run places which could not pay high wages and at the same time sell at low prices. Although manufacturing wages in the total have increased by about half a billion dollars

in actual money, their buying power has increased mightily. The general wholesale price index in 1919 stood at 138; in 1927 it stood at 95.

The general cost of living index compiled by the United States Department of Labor, taking the average of 1923-25 as 100, stood at 109.2 in 1919 and at 98.9 in 1928. Index figures, it will be remembered, are made to permit comparisons and do not express quantities of money or anything else.

Taking the reduction in the number of wage earners into consideration and taking the average wage of 1914 as 100, the average wages in 1919 stood at 197. In 1927 they stood at 220, and they are even higher to-day.

It is the increase in the average wage that has made it possible for so many families to depend on a single wage earner instead of everyone having to get out and hustle. One of the reasons why it is possible to get along with fewer people in manufacturing and pay them more wages is that, while in 1919 the factories used only twenty-nine million horse power, they were using ten million more than that in 1927, and are using still more to-day. The increased use of power has been made possible out of profits and savings.

Not all the release of people from manufacturing is accounted for by the women and children who

no longer have to work—although the fact that children and young people generally do not have to work in these days is attested by the fact that every school, high school and college in the country is overflowing. A very large number of men and women have found it profitable to go into the new service lines that are constantly opening in connection with automobiles, gas stations and the flood of household appliances which require periodical service.

In order to have factories and work so arranged that high wages may be paid without also having high-priced goods, it is necessary to have an extreme skill in applied engineering. Consumption and production, it cannot be too often said, must travel together.

The diversion of spending from liquor to useful things would not be enough for permanent prosperity unless it were also accompanied by a rising efficiency of production and a rising wage rate. A rising wage rate that brought rising prices would cut down consumption. Has Prohibition so helped the condition of the worker that he is to-day more able to do his work than before?

Efficiency of production is a result of a large number of factors. The best and most faithful corps of workers in the world would not produce cheap goods without direction from above. The engineers must

make the designs of both the products and the machinery.

A factory with a highly skilled staff of engineers and a bunch of drunken workmen would turn out a better and cheaper product than a factory with a model lot of workers and no first-class engineers. But the competition to-day is not among companies that are without adequate engineering staffs; no factory can exist without the aid of experts. But also no factory can long exist without an efficient body of workers. The methods of manufacturing to-day call for somewhat different qualities in the workman than did the manufacturing of an older day.

The present methods do not demand the same kind of manual skill but they do demand a higher average grade of skill and the number of rough jobs where only brute strength is required is steadily diminishing. Practically all of the present day jobs require a higher degree of alertness than before—just as driving an automobile requires a higher degree of alertness than driving an old plug of a horse. A man on an electric crane has to know exactly what he is doing, but a gang of laborers with crowbars can be half alive. And also each factory having special machinery requires some special skill on the part of the worker—and it costs money to train workers.

If Prohibition has made for both alertness and

steadiness, it has had an effect on the efficiency of production and this serves to make more effective the buying power of wages—as well as to permit the paying of higher wages.

If only we could compare the efficiency of men today with the efficiency of pre-war days, the calculations of the effects of Prohibition would be easy enough to arrive at, but this is not possible. Industry has changed its character since the war and in addition very few factories kept adequate records before the war. This makes an exact comparison of figures quite impossible. But in the opinion of fully ninety percent of all the employers I have talked with or heard from, the worker is now a better man than before, and in a majority of my replies the writers say flatly that with the saloon back they could not maintain their present wage rates.

There are other replies holding exactly to the opposite, but in nearly all of these cases I find that the company has stood still and does not know that industry has changed. There are a few companies in this class who still manage to exist but none of them is at all prosperous.

Industry was going on the Prohibition basis before the war and would not bother with men who drank during work. The railroads led the way in this and were helped by the unions. For the railroad man-

agers recognized that drinking and train management did not mix. But, although industry was on a Prohibition basis in theory, it was not so in fact. It could discharge a man who was drunk but it could not determine the effectiveness of a man who was to all appearances sober but who had been drinking the night before.

VII

MORE PROFITS

IT has been fairly established by medical science that alcohol is not a stimulant but a narcotic and also it is known that a man without giving any visible signs of having liquor in him will still be affected by liquor that he has previously taken. As Lord D'Abernon says of these researches:

"It has given a definite measure to the rate at which alcohol is burned in the body, and has shown that the rate is slower than has been generally accepted, thus explaining the cumulative effect of drinking at short intervals. It has furnished important evidence in support of the view that alcohol does not, at any stage of its action, produce a stimulant effect upon nervous functions."

A considerable number of tests have been made to determine the relation of alcohol to human efficiency and all have shown that even moderate amounts of alcohol quite a little reduce the coördination between brain and hand. But none of these tests has been on an extensive enough scale to make the findings con-

clusive. There is nothing to show that the workman's efficiency has decreased this or that percentage by drinking. But there seems to be no doubt in the minds of employers as to the relation of Prohibition to work.

Henry Ford's views are well known, and Alfred P. Sloan, Jr., the president of the General Motors, has said:

"Having been intimately connected with industrial problems for many years, I am thoroughly convinced that Prohibition has increased our national efficiency, has added to the purchasing power of the people and given us an advantage in our competition for foreign trade."

The chief executives of most of the large and successful corporations of this country are and always have been teetotalers. It would be invidious to mention names, but Elmer Sperry, the inventor of the gyroscope, a holder of the Fritz medal and a president of the American Society of Mechanical Engineers, has gone so far as to say:

"The trouble with Europe to-day is that it has no Prohibition. If intoxicating liquors were prohibited in the principal European countries, their incentive to do great things, their ambition, would immediately arise. Their financial problems would be solved.

"In those industries in America to-day, where the

heads do not observe Prohibition themselves, and by their public utterances seek to tear down the law, there has been no progress.

"In those industries whose leaders have become public and private Prohibitionists and whose leaders' public utterances and work are toward greater support for the liquor laws, there has been magnificent progress—in the product and efficiency of the industry, and among the workmen themselves."

L. C. Walker, president of the Shaw-Walker Company, gives these results of his studies:

"There is no doubt in our minds that production has been greatly improved by Prohibition.

"A man can't produce good goods with his skin full of liquor, because as any man who has used liquor much knows, its attraction comes from the delightfully care-free condition it produces. Production of good goods is a painstaking process and calls for skill in manual operation and great attention to details. The production methods used to-day are an incentive for a man to get out of himself all his energy will permit, and if this energy is used by alcohol, it can't go into production. . . .

"There is no question but what this company can produce goods more cheaply with the turnover of forty percent a year in labor as against a turnover of two hundred percent."

B. A. Franklin, president of a paper company in Massachusetts and himself an industrial engineer, says:

"This improvement in the last ten years particularly, and the expectation of further constant improvement, in my judgment and in that of other business men with whom I talk, is very definitely due to Prohibition. Industrial conditions of to-day could not exist, as I see it, without Prohibition, because the introduction of more and more machinery and faster moving machinery, with the great demand to save waste, not only of material but labor, demands clear heads and steady nerves. Without these improved and improving conditions, results cannot be obtained.

"As a matter of actual fact, in my judgment, without Prohibition we could not have higher wages paid men, because these higher wages are dependent upon lower cost of production, since in the competition of to-day this is necessary."

Thomas J. Kelley, manager of the Manufacturers' Association of Hartford County (Connecticut), made an extensive inquiry to determine the effect of Prohibition on the turnover of labor. He began the inquiry as an opponent of the Eighteenth Amendment. This is part of his report:

"While it has been evident for some time that less and less liquor was being used by the worker in in-

dustry, we had, until recently, no definite data to substantiate this. It was during an analysis of figures relating to the causes of labor turnover, covering a period of two months, February to April, 1927, that the facts herein given were revealed.

"In the days of the saloon, intemperance was an outstanding cause of labor turnover. Because of it discharges were of almost daily occurrence in some plants and family impoverishment was a corollary. Data now at hand show the causes of employment separations under six headings, one of which is 'Intemperance.' These figures, involving a total of 43,327 workers of both sexes in Hartford County, reveal that out of a total of 2,736 separations in two months only 15, or a fraction of one percent, were due to intemperance. This means that in the course of a year an average of but 85 workers out of over 40,000 would be discharged because of the effects of alcohol."

Letters and statements of this kind might be included indefinitely, but they are all nearly alike. They vary only in the degree of the positiveness of the conclusions. But no one says that drinking makes for better workers—and that we all know as a matter of general observation.

Possibly some man has been hired just because he

drank. But I have never heard of such a case. However, that is not the point.

Wages are high, but also the quality of the work delivered for the wages is high. It has to be high, else prices would be high—which would cut buying. The high wages are made possible through the arrangement of large factories with special machinery which can turn out great masses of goods at a low rate. It is the use of the machines—indicated by the great increase in the use of horsepower as noted above—which makes high wages possible. The men could not earn them working only with their hands. These machines could not be used unless the consumption of the country were large.

The principal consumption of the country comes from the wage earners. If they were spending the same proportion of their wages for drink to-day that they spent before Prohibition, then at least three billion dollars would be withdrawn from buying power. That would take the edge off the high consumption which makes high production possible. We have seen consumption and consequently production increase steadily ever since the money that used to go into liquor started to go into goods.

With the increase in production have come the means to pay high wages. If the drink money that is

now going into goods were turned back into drink again, we should simply start down the hill. We should cut consumption and therefore cut production and therefore cut wages. That is the tie-up between Prohibition and high wages. And the facts are such that no one can dodge them.

VIII

THERE IS NO DEBIT

BUT is there not a large debit side to Prohibition? The Government took away the value as producing units of a great number of breweries and distilleries and closed no end of saloons and saloon restaurants. This threw a certain number of men out of work. The Federal Government drew a heavy revenue from the excise taxes and the states had various revenues accruing from the licensing of the sale of liquor. These taxes, it is said, have all been lost. And on top of this is the cost of enforcement.

Enforcement at the outside costs about forty million dollars a year. That is a direct debit to Prohibition. But the amount is negligible as compared to the direct benefits through the diverting of expenditures from liquor to goods and savings. Of course on top of this comes the graft and crime and all that which is said to be directly traceable to Prohibition. This is undoubtedly very large indeed but it is hard to believe that it approaches the old liquor graft.

The saloon has always been the center of graft and crime, but while once we took this for granted, now

a certain horror is affected at the graft and crime surrounding the bootleg traffic. Some of the bootlegger fortunes that turn up are large but they do not approach the size of the fortunes left by many politicians and local bosses who were closely allied with the liquor trade. To-day we have no local governments absolutely dominated by the saloon—and we used to have plenty of them. And many people choose to forget that the laws governing the old saloon were in most places framed solely with the thought of permitting them to be violated by paying graft. In New York City, for instance, the Prohibition laws are better enforced to-day than were the old Sunday closing laws.

On the tax question there are some curious delusions. All taxes must come from the people, and if they do not pay them in one way they pay them in another. The excise taxes were paid by the buyers of liquor, and since the largest buyers of liquor were the people of moderate means—the wage earners—they contributed heavily to the cost of government. To-day these same taxes are paid in other ways and largely through the income taxes. The income taxes fall upon the people who earn the most money and according to the amount that they earn. An income tax is the fairest known form of taxation, for it is placed upon money after it is earned and everyone

knows what he pays and why he pays it. The excise tax was a favorite one with the politicians because it was a concealed tax and therefore took the minds of the people away from political extravagances on the ground that no matter what was spent it did not cost them anything.

The only tax loss in the new set-up has to do with the failure of bootleggers to pay income taxes, but this loss is not great, for the bootleggers of considerable incomes have learned that it does not pay to fool with taxes.

The taxes which were once paid by the workman over the bar are now shifted to the income tax payers —who are far better able to pay them. So the whole argument that the Government loses taxes because of the passing of the liquor trade shows a profound ignorance of the nature of taxes.

The business of distilling whiskey was never a large one. In 1914—the figures for this year are the latest available—the industry had invested in it only ninety million dollars and employed only six thousand persons. The brewing industry was large and in 1914 had a capital investment of nearly three-quarters of a billion dollars. We can only guess how much was invested in saloons or how many men were employed. But the men have already been absorbed in other industries and it is the fashion of American

industry rapidly to shift its bases. The scrapping of machinery in the automobile industry alone has been greater since 1919 than the whole loss to the distilling and brewing industries—even if they had lost their all.

But they did not lose their all. The largest brewing company in the country is now in a great number of lines and is showing a profit. Some of the others are getting by, while still others have lost heavily—even up to fifty percent of their former valuations. But other communities have benefited greatly by the taking away of the liquor trade.

Take Louisville, Kentucky, and this statement from the secretary of the board of trade:

"The distilling of liquors was for many years prior to the enactment of the Prohibition law the leading industry of Louisville, with some thirty-five plants in the city and its environs.

"Aside from the distillery plants themselves there were a number of other industries that largely depended upon whiskey manufacturing for their business. Chief among these were plants producing barrels, boxes, machinery, equipment and supplies. Much of the business done by the grain trade was with the distilleries in supplying corn, rye and barley. There were the printers who furnished labels and advertising matter.

"When national Prohibition came, it shut down an industry and made it possible for more vigorous industries to rise in its place. A peculiar thing about the distillery industry was the large amount of capital required, due to the process of aging whiskey for four to eight years. Warehouse receipts were held in high regard by the banks. Prohibition released this capital for use in industries now employing many more people. A large distillery could be operated with only thirty-five to fifty men. . . .

"You will no doubt be interested in what has been done with the plants formerly occupied by the distillery interests. Practically all of the machinery and equipment has been junked. Many of the warehouses were wrecked and the brick and other material were used in the erection of houses and factories between 1920 and 1925 when building materials rose greatly in price. A number of the distillery buildings have been put to other uses. One was converted into a broom factory; ice cream is being manufactured in another; fertilizer is made in still another; a fourth is used as a place of storage for automobiles; and a fifth is now occupied as a pipe organ factory. Quite unique is the case of a brewery where mushrooms are raised in large quantities.

"The belief of our citizens in the advantages of Louisville was evidenced in 1927 with the raising of

a fund of three hundred thousand dollars with which to carry on a campaign for national advertising to acquaint the country with the desirability of the city as an industrial location."

These are the results. The population as of July 1, 1928, was 329,400. The population in 1910 was 223,928 while in 1920 it was 234,891. In 1914 the city had 778 manufacturing establishments employing 25,930 men and their product amounted to one hundred and five million dollars. In 1927 the city had 653 manufacturing establishments employing 34,336 men and their product amounted to two hundred and forty-two million dollars. That is what getting out of whiskey did for Louisville.

In saloon property the country over there has been no loss at all. The old locations have been very generally taken over by chain stores or restaurants which do more business and employ more men than the saloons did. This does not apply to some of the very large saloons but the number of these was small and most of them were in hotels.

The hotel business has distinctly prospered with the elimination of the bar—although the old timers could not accustom themselves to the change.

In an investigation made of three thousand saloon properties in New York City, it was found that new businesses were occupying all of them and the new

concerns employed an average of between three and one-half to four and one-half men as against two men each for the saloons.

The present debit side of Prohibition narrows down to the cost of enforcement—which is slight. The nuisance of enforcement is another matter.

By the re-routing of at least two-thirds of the money which formerly went for drink into the buying of useful goods, a higher level of general living has been established in this country. This higher level has brought higher wages and still higher levels of living.

We have as a nation been infinitely more prosperous since Prohibition than ever before. We are definitely going forward.

It would seem that Prohibition is fundamental to our prosperity—that it is the greatest blow which has ever struck poverty.

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